

Budget & Economic Forecast

At a Glance

February 2015

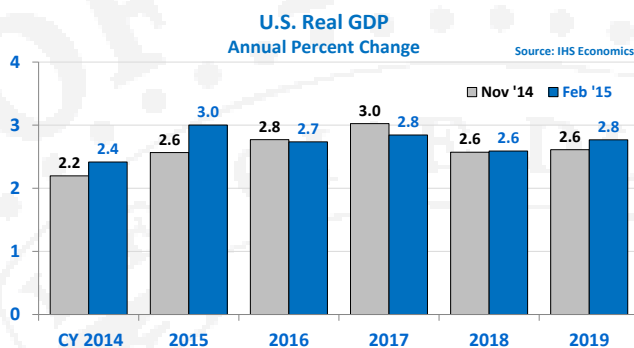
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Minnesota's Budget Outlook Improves \$1.869 Billion Available for Upcoming FY 2016-17 Budget

Higher Revenues, Lower Spending Increase FY 2016-17 Balance to \$1.869 Billion. FY 2016-17 revenues are now forecast to be \$42.497 billion, a \$616 million (1.5 percent) increase over November estimates. Current law spending is forecast to be \$41.128 billion, \$115 million (0.3 percent) below previous projections. Changes to revenue and spending in the current biennium add \$107 million to the FY 2016-17 beginning balance. As a result, the projected forecast balance in the next biennium is now \$1.869 billion, an increase of \$832 million over the November forecast.

FY 2016-17 General Fund Budget Forecast

(\$ in millions)	February	\$ Change
Beginning Balance	\$1,852	\$107
Revenues	42,497	616
Spending	41,128	(115)
Cash & Budget Reserve	1,344	-
Stadium Reserve	7	5
Budgetary Balance	\$1,869	\$832



U.S. Economic Outlook Improves. The overall outlook for U.S. economic growth has improved since November. IHS Economics expects the largest change to occur early in the forecast period, with projected real GDP growth for 2015 increasing to 3.0 percent from 2.6 percent in November's outlook. The February baseline now calls for real GDP growth of 2.7 percent in 2016 and 2.8 percent in 2017. The November baseline called for slightly higher growth of 2.8 percent in 2016 and 3.0 percent in 2017.

Lower Oil Prices and Rising Dollar Affect Economic Growth.

Sharply lower oil prices and a stronger dollar are re-shaping the U.S. and Minnesota economic outlooks. Cheaper oil reduces capital expenditures in oil-related industries and allows consumers to divert spending toward non-gasoline purchases. The strong dollar reduces demand for U.S. and Minnesota exports and makes imported goods more affordable. Both factors place temporary downward pressure on inflation in the near-term.

FY 2016-17 General Fund Revenue Forecast

(\$ in millions)	February	\$ Change
Individual Income	\$22,057	393
General Sales	10,920	124
Corporate Franchise	2,576	(31)
Statewide Property	1,699	(11)
All Other Revenues	3,522	45
Total Tax Revenues	\$40,722	\$520
All Other Revenues, Transfers	1,725	97
Total Revenues	\$42,497	\$616

Minnesota Retail Gasoline Prices
Dollars Per Gallon



Higher Expected Individual Income and General Sales Taxes Add to FY 2016-17 Revenue Forecast. FY 2016-17 tax revenues are now forecast to be \$520 million (1.3 percent) more than the prior estimate. Higher forecast individual income tax receipts, driven by higher expected income growth, contribute \$393 million of this change. Improved expectations for taxable sales raise the general sales tax forecast \$124 million over the prior estimate. Lower expected growth in corporate profits brings down the corporate tax revenue forecast.

Long Term Budget Outlook Remains Strong. The improved budget outlook continues into the planning horizon as revenue growth exceeds spending growth. There is a structural balance of \$3.184 billion for FY 2018-19. Expenditure and revenue projections for the planning years will be affected by any economic changes and an enacted budget for the 2016-17 biennium.

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Complete Forecast & Supporting Budget Documents: MN.GOV/MMB

